

# THE RECENT PROPOSAL TO CHANGE THE UNITED STATES PATENT SYSTEM

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This article traces the progress of the recent proposal by the Administration to change the U. S. Patent System, which had its genesis in a Report prepared by a Presidential Commission established to study the patent system. Legislation implementing the proposals made by this Report was introduced promptly after the Report was prepared. Subsequently, however, the Administration substantially modified its recommendation for legislative change and transmitted a revised proposed bill to the Senate Committee on the Judiciary. That revised bill was assigned to the Subcommittee on Patents, Trademarks and Copyrights which is under the Chairmanship of Senator John L. McClellan of Arkansas. A Subcommittee Print containing the Administration's revisions, as well as other revisions representing Senator McClellan's then current judgment with regard to provisions to be contained in a patent revision bill, was made public in the Spring of 1968. The Senator, after receiving comments on the Subcommittee Print, recently stated that the Subcommittee does not contemplate reporting any bill on this subject during the current Congress.

On April 8, 1965, President Johnson issued Executive Order No. 11215 establishing the President's Commission on the Patent System. Under the terms of the Executive Order, the Commission was to

1. ascertain the degree to which our patent system currently serves our national needs and international goals,
2. identify any aspects of the system which may need change,
3. devise possible improvements in the system,
4. recommend any legislation deemed essential to strengthen the United States patent system, and
5. to "make an independent study of the existing patent system of the United States including its relationship to interna-

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tional and foreign patent systems, inventive activity and the administration of the system."

The Executive Order designated the Department of Commerce as the agency principally responsible for providing the Commission with administrative facilities and services "including such advice as may be necessary to aid the Commission in the performance of its functions." The Commission was ordered to transmit its final report, including its recommendations, to the President no later than 18 months after the date of the Executive Order.

On July 23, 1965, the names of the distinguished members of the Commission were announced.<sup>1</sup> The Commission held 13 meetings which, in the aggregate, extended over 31 days. Its final Report was dated November 17, 1966.<sup>2</sup> The letter<sup>3</sup> to the President which accompanied the Report indicated that background material prepared by the staff, reflecting more extensively the considerations taken into account in development of the commission's recommendations, was being completed and would be transmitted as a supplement to the Report. This supplement, however, has not yet been prepared. As the deliberations of the Commission were secret, and the sources and nature of the information considered by the Commission are not entirely public, it is impossible to evaluate accurately the manner in which the Commission reached its recommendations.

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1 Public members: John Bardeen, Prof. of Elec. Eng'r and Physics, Univ. of Ill., co-inventor of the transistor; James W. Birkenstock, Vice-pres., Commercial Dev., IBM Corp.; Howard W. Clement, lawyer, Hume, Clement, Hume & Lee, Chicago; and Chairman, Bd. of Trustees, Univ. of Ill.; Howard K. Nason, Pres. Monsanto Research Corp.; Sidney Neuman, lawyer, Pendleton, Neuman, Seibold & Williams, Chicago; Bernard Oliver, Vice-Pres., Research and Dev., Hewlett-Packard Corp.; Horton Guyford Stever, Pres., Carnegie Inst. of Technology, Pittsburgh, Pa.; Charles B. Thornton, Chairman of the Bd., Litton Indus.

Gov't members: Edward J. Brenner, Comm'r of Patents, designee of Secretary of Commerce John T. Connor; John M. Malloy, Deputy Assistant Secretary for Procurement, designee of Secretary of Defense Robert S. McNamara; Eugene J. Davidson, Assistant General Counsel, designee of Small Business Administrator Bernard L. Boutin; Charles F. Brown, Deputy General Counsel, designee of Nat'l Science Foundation Director Leland J. Haworth.

Official observers: Eugene M. Braderman, Deputy Assistant Secretary, designee of Secretary of State Dean Rusk, and David Z. Beckler, Assistant to the Director of the Office of Science and Technology, designee of Office of Science and Technology Director Donald F. Hornig.

<sup>2</sup> Report of the President's Commission on the Patent System (1966). The Report was released to the public December 2, 1966 [hereinafter cited as Pres. Pat. Comm'n Rep.].

<sup>3</sup> Pres. Pat. Comm'n Rep. ii.

In any event, the transmittal letter to the President indicated that the Recommendations of the Commission, thirty-five in number, represented the combined judgment and general agreement of the Commission, even though the recommendations, in all of their details did "not necessarily bear the endorsement of every member." The transmittal letter to the President specifically emphasized, nevertheless, that the recommendations of the Commission "should not be regarded as a catalog of discrete remedies," but were to be considered as intimately interrelated in a coordinated plan.

The introduction to the Report of the President's Commission on the Patent System<sup>4</sup> is significant in that it contains an overview of the Commission's conclusions on the value of a patent system as such, as well as a statement of the Commission's specific objectives. The introduction stated that the U. S. patent statutes have been amended on numerous occasions "and even rewritten twice since 1836," but added that no basic changes had been made in their general character in the succeeding 130 years. It noted that technology had undergone a dramatic transformation since that time; and, while the "lone independent inventor, even in this day of sophisticated technology, still contributes most importantly to the useful arts," the field is no longer his alone. The introduction further stated that the members of the Commission had unanimously agreed that a patent system today is capable of continuing to provide an incentive to research, development, and innovation and that the Commission knew of no practical substitute for the unique service the system renders. Specifically, the Commission found that the patent system provides a necessary incentive to invent; stimulates the investment of additional capital needed for the further development and marketing of inventions; encourages early public disclosure of technological information, some of which might otherwise be kept secret; and promotes the beneficial exchange of products, services, and technological information across national boundaries by providing protection for industrial property of foreign nationals. Stating that the Commission had received views on the patent system from various business and legal associations, educators, scientists and individuals within the Patent Office, the introduction then identified the objectives which the Commission selected as those with which it could effectively deal. These objectives were:

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<sup>4</sup> *Id.* at 1-4.

1. to raise the quality and reliability of the U.S. patent,
2. to shorten the period of pendency of a patent application from filing to final disposition by the Patent Office,
3. to accelerate the public disclosure of technological advances,
4. to reduce the expense of obtaining and litigating a patent,
5. to make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent system, and
6. to prepare the patent system to cope with the exploding technology foreseeable in the decades ahead.

The introduction concluded by again emphasizing the interrelationship of the Commission's recommendations, and urging that the recommendations be considered "all as part of one inter-related and coherent plan."

President Johnson received the Commission's Report in December of 1966. He thereupon directed the Commerce Department, the Justice Department, and his science advisor to consider the Report "and, if necessary, to develop legislative proposals to carry out its objectives."<sup>5</sup> Legislative proposals were developed, and the President transmitted the Patent Reform Act of 1967<sup>6</sup> to the Congress on February 21, 1967. The Congress was urged "to give favorable and prompt consideration to this important and long overdue legislation," the President indicating that our country was "still operating under a patent system that has remained unchanged for the past 130 years"—a somewhat odd commentary in view of the Commission's accurate statement that the law had been amended on numerous occasions and even rewritten twice since 1836. This was not the only oddity; the President also urged enactment of the new legislation because, *inter alia*, "International trade is hindered by inconsistent patent practices from one country to another which increase costs to American businessmen."<sup>7</sup> Assuming this was accurate, the problem certainly would not be solved by the Patent Reform Act of 1967. In any event, as one distinguished commentator put it, "And as to the patent system hindering international trade, few businessmen would suggest that patent problems would approach the importance of tariffs, rules as to 'local content,' and plain government red tape, in hindering international trade and

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<sup>5</sup> H.R. Doc. No. 59, 90th Cong., 1st Sess. iv (1967).

<sup>6</sup> S. 1042, 90th Cong., 1st Sess., introduced Feb. 21, 1967 by Sen. McClellan acting by request. H.R. 5924, 90th Cong., 1st Sess. (1967), introduced by Rep. Kastenmeier shortly afterward as a companion bill.

<sup>7</sup> H.R. Doc. No. 59, 90th Cong., 1st Sess. iii, v (1967).

commerce.”<sup>8</sup> This rather foggy reference to the hinderance of international trade by inconsistent patent practices is akin to the Commission’s statement, in transmitting its Report to the President, that one of the missions of the United States patent system was to “contribute toward world peace and tranquility.”<sup>9</sup> The connection between “world peace and tranquility” and the United States patent system is not entirely clear.

#### THE RECOMENDATIONS OF THE PRESIDENT’S COMMISSION

Recommendation I made by the Commission,<sup>10</sup> and subsequently embodied in Section 102 of the Patent Reform Act, was pivotal to its “interrelated and coherent plan” and would have effected radical changes in the patent system. It would have

1. eliminated the grace period,
2. eliminated interferences and, in all cases, awarded the patent to the person first to file his application,
3. made any application conclusively effective prior art with respect to any other application filed later, even though the later application was claiming different subject matter,
4. created revised criteria for the form of prior art,
5. made the disclosure in a patent based upon an earlier foreign application effective as prior art in the United States as of the date of filing in the foreign country, and
6. made foreign knowledge, use and sale “prior art” with respect to United States patents.

While complete consideration of the ramifications of each of these changes cannot be undertaken here, the importance of three of them to the entire plan envisioned by the Commission requires that they be analyzed.

As stated above, Recommendation I would have eliminated the “grace period” of one year available under present law between the time an inventor places his invention on sale, or otherwise discloses it to the public, and the date on which he must file his patent application. Elimination of the “grace period” would, of course, eliminate the inventor’s present right to evaluate his invention under actual commercial conditions while making a decision of whether to file a patent application. Similarly, it would eliminate the time which is now available to make a search of

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<sup>8</sup> Frost, “*Patent Reform*” and the Business Community, 36 GEO. WASH. L. REV. 100, 105 (1967).

<sup>9</sup> Pres. Pat. Comm’n Rep. i.

<sup>10</sup> *Id.* at 5.

the prior art and to prepare a patent application containing a reasonably thorough and complete disclosure of invention. And, contrary to the implication of statements made by the Commission in support of this Recommendation,<sup>11</sup> this change would not place United States law in harmony with European law; specifically, this Recommendation differs from German law as well as French law. Indeed, elimination of the grace period was so unsound that on May 3, 1967, presumably with the support of the Administration, Senator Long of Missouri offered an amendment to the Patent Reform Act, the effect of which would be to re-establish a personal grace period for the inventor of six months' duration.<sup>12</sup> This was only two and one-half months after the Patent Reform Act was introduced. The Long amendment was recommended by Howard Nason, a member of the Commission, in his testimony on May 17, 1967 before the Subcommittee on Patents, Trademarks and Copyrights of the Senate Judiciary Committee. The concept of eliminating the grace period has subsequently been eliminated from the Administration's proposals.

The first-to-file aspect of Recommendation I, common in foreign countries, would have eliminated interferences. Interferences are proceedings under present law by which the patent is awarded to the first to invent where more than one applicant is claiming the same invention. In addition, the first-to-file proposal would have made the disclosure of any patent application conclusive prior art with respect to any later filed application. Under the present law, such a disclosure is presumed to be prior art, but this presumption can be rebutted by an affidavit by a later applicant showing completion of invention before the filing date of the earlier application.

While Recommendation I would have eliminated present interference practice, which can be cumbersome and expensive, it would engender injustices of much greater import than those encountered in the relatively small number of interferences; interferences occur only in approximately one percent of the cases. Under present practice, without any patent expense, a new idea (properly documented) can be discussed with consultants, bankers, and potential customers prior to filing a patent application. This would not be possible under the Commission's proposal which would require secrecy of the highest order until after the patent application

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<sup>11</sup> *Id.* at 6.

<sup>12</sup> Amend. No. 182 to § 105 of S. 1042 (1967).

was actually on file. While the Commission assumed that the procedure that they were recommending would hasten the public disclosure of technology, there is little factual support for this assumption. Indeed, one study indicates that under the present law 35-40 percent of the patented inventions assigned to corporations are placed on the market prior to filing of the patent application.<sup>13</sup> Under the Commission's plan, many of these public disclosures probably would have been delayed until such time as patent applications were filed. In addition, the applications actually filed would undoubtedly have been much greater in number than those filed under the present system inasmuch as each step of the inventive process would have to be covered by a separate application immediately after the step was considered, so that the total number of applications filed would have been many times the present number. The resulting expense would have been very substantially increased. This result is directly contrary to the Commission's objective of reducing the cost of obtaining patent protection. It is not, therefore, at all certain the Commission thoroughly understood the full implications of this recommendation. Indeed, it is not certain that the Administration fully understood either the present law or the proposed new law. For example, Dr. Hollomon, in supporting this "first-to-file" aspect, stated that an inventor under the present law who has completed his invention

may have no sense of urgency in filing a patent application, . . . [and] . . . may delay filing an application until someone else either publishes the invention or in good faith obtains a patent on the invention. The "first inventor" then has a one-year period in which to file an application claiming that he—and not the one who took active steps to make the invention available to the public—is the "first" inventor and therefore entitled to the patent. And under present law, he may succeed in his claim.<sup>14</sup>

While this may technically be accurate as far as it goes, it certainly does not present anything like a complete statement of the applicable law. Missing from this statement is the fact that under the present law, the first-to-file is presumed to be the first inventor.<sup>15</sup> Anyone challenging that presumption has the burden of proof in showing that the presumption is incorrect. This is a very difficult

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<sup>13</sup> Sanders, *Speedy Entry of Patented Inventions into Commercial Use*, 6 PAT., T-M. & COPYRIGHT J. 87, 91-92 (1962).

<sup>14</sup> J. Herbert Hollomon, then Acting Under Secretary of Commerce, testimony before Subcommittee No. 3, House Judiciary Committee, April 17, 1967.

<sup>15</sup> U.S. Pat. Office Rules of Prac., Rule 257 (1965).

task. In fact, if the first inventor files his application for patent after another person has obtained a patent for that invention, the applicant has the burden of proving he is the first inventor beyond a reasonable doubt.<sup>16</sup> Even if that later applicant, to which Dr. Holomon made reference, could sustain that heavy burden of proof, if his application had been filed after his knowledge of the later inventor's patent, he would not be entitled to the patent.<sup>17</sup> Dr. Holomon, who certainly wanted to be candid in his testimony before Congress, apparently was not aware of these grave difficulties which would confront his hypothetical prior inventor. Indeed, the vast majority of actual inventors simply do not operate like that hypothetical inventor for a great many reasons.

Other high Administration officials who testified in support of the first-to-file aspect of the Patent Reform Act also seemed to have difficulty with the subject matter. For example, the Assistant Attorney General stated that "it is more in keeping with the constitutional purpose of the patent system . . . to reward with the patent the person who first makes available to the public the technological innovation in question."<sup>18</sup> This, of course, is inapposite. The person who first makes available to the public the technological innovation in question has nothing whatsoever to do with who gets the patent under the first-to-file system proposed by the Commission. Under that system, the one who files a patent application first gets the patent. As patent applications are secret documents—for at least eighteen months under the Commissioner's proposal—the technological innovation is not made public by filing the patent application. In contradistinction, making the innovation available to the public—for example by placing it on sale, or by describing it in a magazine—before the patent application was prepared and filed could make the patent invalid, as discussed earlier in con-

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<sup>16</sup> In *Walker v. Altorfer*, 111 F.2d 164, 167 45 U.S.P.Q. 317, 320 (C.C.P.A. 1940) the Court said:

It is well settled that an inventor who makes claim to an invention of another who has obtained a patent therefor must, before he can be awarded priority, prove his case by such clear and convincing evidence as to remove all reasonable doubt that the patentee was not the first inventor.

See also *Robie v. Netherly*, 172 F.2d 557, 560, 80 U.S.P.Q. 492, 494-5 (C.C.P.A. 1949); *Conner v. Joris*, 241 F.2d 944, 946-7, 113 U.S.P.Q. 56, 58 (C.C.P.A., 1957).

<sup>17</sup> *Englehardt v. Judd*, 369 F.2d 408, 413, 151 U.S.P.Q. 732, 736-7 (C.C.P.A. 1966); *Woofter v. Carlson*, 367 F.2d 436, 445-46, 151 U.S.P.Q. 407, 414 (C.C.P.A. 1966); *Mason v. Hepburn*, 13 App. D.C. 86 (D.C. Cir. 1898).

<sup>18</sup> *Hearings on H.R. 5924 Before House Judiciary Committee, Subcommittee No. 3*, 90th Cong., 1st Sess., pt. 1 at 135 (1967) (testimony of Donald F. Turner).



nection with the proposal to eliminate the grace period. It would seem, therefore, that the Assistant Attorney General either did not articulate his thought well, contrary to his usual propensity, or he was flatly in error with regard to the ramifications of the proposal he was recommending.

While this first-to-file proposal had certain support,<sup>19</sup> it met with overwhelming opposition.<sup>20</sup> Today, this keystone of the Commission's "interrelated and coherent plan" has been abandoned by the Administration. It has been replaced by what is referred to as a "modified first-to-file system."<sup>21</sup> The modified first-to-file system is in reality a *first-to-invent* system inasmuch as it provides for interferences referred to as "priority contests." And, as distinguished from eliminating interferences, this modified first-to-file system may actually increase them inasmuch as foreign inventors could participate in these proceedings in proving acts which occurred in foreign countries relating to the completion of inventions. This is to be distinguished from present practice in which foreign inventors are limited, in priority contests, to the date of filing their application in the foreign country.<sup>22</sup> This modified first-to-file system would further differ from present practice by providing only a one year period prior either to (1) filing a patent application or (2) performance of a "public act" with respect to the invention, (i.e. making the public aware of it) in which acts proving completion of the invention could be shown in any priority or invalidity proceedings.<sup>23</sup>

The final aspect of Resolution I which will be discussed is the suggestion that foreign knowledge, use and sale be made prior art with respect to United States applications. This type of prior art, as distinguished from printed publications, is almost totally incapable of being stored and retrieved by any computer storage

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<sup>19</sup> Woodward, *Changes in the Patent System Recommended by the President's Commission*, 27 FED. BAR J. 189, 196-207 (1967).

<sup>20</sup> One of the Commission members, Sidney Neuman, in discussing the opposition to the Commission's recommendations by the American Bar Association, said, "It is my sincere hope that the voices which oppose our recommendations, without the benefit of constructive counter proposals and for reasons other than fulfilling the constitutional basis for the patent system, be given the weight they deserve." Testimony, May 18, 1967, before Subcommittee No. 3, House Judiciary Comm.

<sup>21</sup> Edward J. Brenner, Comm. of Pats., testimony before Subcommittee No. 3, House Judiciary Comm., Feb. 28, 1968. This modified first-to-file system is embodied in section 102 of the Subcommittee Print, printed for the use of the Senate Committee on the Judiciary, which is entitled "Proposed Substitute for S. 1042."

<sup>22</sup> Subcomm. Print § 102(g)(1); 35 U.S.C. § 104 (1964).

<sup>23</sup> *Id.* § 102(g)(3).

system. It is the type of information frequently known by only a small number of persons in a foreign country and often would be difficult to ascertain and prove. Furthermore, if this type of foreign material is made prior art with respect to United States patents, their validity will always be highly uncertain, inasmuch as the Patent Office obviously cannot search this prior art in considering the application for patent. Moreover, the expense incident to obtaining and enforcing patents will be staggering.<sup>24</sup>

In his February, 1968 testimony, Commissioner Brenner indicated the Administration had changed its mind about the present advisability of this "universal prior art standard," because "it is premature at the present time to incorporate this standard into the laws of this country."<sup>24a</sup> The only remote descendant of this foreign knowledge sale concept still viable is found in section 102 (b) of the Subcommittee Print. It provides that a sale or public or commercial use *by the applicant* anywhere in the world which occurs more than one year before the effective filing date of his patent application will invalidate the application or any resulting patent.

Recommendation II<sup>25</sup> of the Commission proposed preliminary applications, which the inventor was to file as a substitute for the protection afforded by the grace period provided by the present statutes. The Commission recommended that "requirements as to form . . . be minimal and claims need not be included" in the preliminary applications. One or more such preliminary applications were to be combinable in one complete application if it was filed within one year of the earliest preliminary application relied on. The Assistant Attorney General, in his testimony supporting this proposal, stated

It is to be hoped that the Patent Office will develop short forms for inventors to use in filing preliminary applications, so that inventors will be able to secure the benefits of an early filing date without undue inconvenience.<sup>25a</sup>

This overlooks the fact that a technical disclosure, obviously, is only as good as what it discloses. Just as there is no royal road to geometry, there are no short forms for the adequate disclosure of technology. In fact, section 120 of the Patent Reform Act required that "every feature" recited in the claims of the complete applica-

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<sup>24</sup> Schuyler, *Small Business and the Proposed Patent Reform Act of 1967*, 86 GEO. WASH. L. REV. 122, 126 (1967).

<sup>24a</sup> *Hearings*, note 18 *supra* pt. 2 at 538.

<sup>25</sup> Pres. Pat. Comm'n Rep. 8.

<sup>25a</sup> *Hearings*, note 18 *supra* at 137.

tion be disclosed in the preliminary applications. In any event, while there was some merit to the basic concept of preliminary applications with somewhat reduced formal standards, this too has passed away. In its current, modified approach, the Administration now recommends that the claims of an application may be delayed for one year after the filing of the application and that a smaller filing fee be paid at the time of filing, the remainder also being due within one year.<sup>26</sup> It would appear that something along these lines may eventually be adopted.

Recommendation III of the Commission related to certain exclusions from prior art<sup>27</sup> was included in section 105 of the Patent Reform Act. The proposal has subsequently been deleted as superfluous in view of the withdrawal from the first-to-file position.

Recommendation IV stated that design patents and plant patents should be withdrawn from the patent statute and another form of protection provided.<sup>28</sup> Provisions for patents of these types were still provided in the Patent Reform Act, however, in view of the fact that no other effective form of protection had been determined. This Recommendation also suggested that computer programs be specifically excluded from the protection afforded by the patent statutes; such a provision was included in section 106 of the Patent Reform Act, but this proposal has also been dropped by the Administration. Probably the main reason for the elimination of this proposal was the difficulty in stating the metes and bounds of the subject matter to be excluded.

Recommendation V permitted either the inventor or his assignee to file a patent application. If the application was filed by the assignee, the application should include a declaration of ownership at the time of filing. Prior to publication of the application a declaration of originality by the inventor and a recorded, specific assignment from the inventor to the assignee must be filed. This Recommendation also provided that every application, when filed, should include the name of each person believed to have made an inventive contribution, but that omission of an inventor's name—or inclusion of the name of a person not an inventor—without deceptive intent, should not affect the validity of the application or patent and could be corrected at any time.<sup>29</sup> These are salutary recommendations, and their subject matter was ultimately

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<sup>26</sup> Subcomm. Print § 111.

<sup>27</sup> Pres. Pat. Comm'n Rep. 9.

<sup>28</sup> *Id.* at 11.

<sup>29</sup> *Id.* at 14.

incorporated in sections 111, 115 and 116 of the Patent Reform Act. Subsequent consideration has resulted in certain refinements, now present in corresponding sections of the aforementioned Subcommittee Print. Specifically, they provide that a patent application may be signed by an agent of the applicant at the time of filing, provided that the application is ratified by the applicant within six months after filing. Accordingly, under these provisions the owner of an application may file it in the Patent office (or his agent may do so), but prior to publication or issuance of the application a declaration or oath of originality must be made by the inventor and either a specific assignment or the written consent of the inventor to the filing of the application submitted. Section 116(b) of the Subcommittee Print removes the existing, unduly technical requirement that each person named as a joint inventor be a joint inventor with respect to each claim in an application. This technical requirement would be removed by providing that "in an application for a patent for a joint invention, it shall not be necessary for each person named as a joint inventor to be a joint inventor of the invention asserted in each claim." Furthermore, section 111(e) would simplify the correction of incorrectly named inventors by providing that "omission of an inventor's name or inclusion of the name of one not an inventor, without deceptive intent, may be corrected at any time, in accordance with regulations established by the Commissioner." As these provisions remove unnecessary and highly technical problems which could conceivably invalidate patents for highly formalistic reasons, these suggestions are sound and have been widely supported.

Recommendation VI provided that a claim for a priority date, i.e., the date on which a corresponding application was filed in a foreign country and to which the domestic application would be entitled under the International Convention, must be made when the complete application is filed.<sup>30</sup> This concept was incorporated in sections 119 and 120 of the Patent Reform Act. In its present form, as included in the corresponding section of the Subcommittee Print, this claim for priority may be amended after filing upon a showing of due cause.

Recommendation VII of the Commission was that all pending patent applications should be published no later than 24 months after their earliest effective filing date, as well as promptly after an

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<sup>30</sup> *Id.* at 16.

appeal or allowance.<sup>31</sup> If an application on appeal was published, for example, it was to be republished after allowance to the extent needed to update the initially published application and give notice of its status. Recommendation VII was incorporated in section 123 of the Patent Reform Act. The modified procedure would have deprived the inventor of his present right to keep his invention secret until such time as he knows the scope of his patent grant. Furthermore, it is clear that the plural publication of patent applications would be both expensive and confusing. While Administration representatives strongly argued that this was an essential feature of any revised patent system, once again it is no longer considered as such. The latest Administration position, as reflected in section 123 of the Subcommittee Print, is that there will be no compulsory publication of all applications; however, where there is an appeal or an interference, an abstract of the pending application may be published. As this is opposed by various bar groups, it is doubtful whether even it will survive.

Under Recommendation VIII, a continuation application—an application having the same disclosure as that of an earlier filed application of the same inventor (which is referred to as the parent application)—would be entitled to the filing date of the parent application if it were filed before the abandonment or allowance of, or an appeal in, the parent application. Additionally, it recommended that the benefit of the filing date for an application should not be preserved through a chain of subsequently filed applications.<sup>32</sup> The Patent Reform Act incorporated this suggestion in section 120(b). The necessity for filing a continuation application before an appeal in the parent case was opposed by the bar, as it is often necessary to file a continuation application after the filing of an appeal in the parent case in order, for example, to meet a formal ground of rejection or to comply with the examiner's suggestions respecting the wording of particular claims. Furthermore, in view of the likely adoption of the 20 year provision,<sup>33</sup> any tendency to file a number of continuing applications would be minimized. As a result, the provision requiring a continuation to be filed before any appeal in the parent case also has been abandoned by the Administration; it now takes the position that there would

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<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at 17.

<sup>33</sup> See text accompanying note 49 *infra*.

be no objection to the enactment of statutory provisions which permit the filing of a chain of three applications. Section 120 of the Subcommittee Print eliminates the requirement that a continuation application must be filed before an appeal in the parent case in order to be entitled to the filing date of that case.

Recommendation IX of the Commission was that statutory authority be granted to the Secretary of Commerce permitting him at some future date to institute "deferred examination" in the event he found it desirable.<sup>34</sup> Deferred examination is a system under which, unlike the present system, all applications are not examined in regular course. In the deferred examination system, the application would not be examined unless the applicant (or another) paid an examination fee, which could occur any time within five years after the filing date of the application. The Commission apparently could not agree on the details of deferred examination inasmuch as the Report states ". . . a split exists among the members as to when and how such authority should be exercised."<sup>35</sup> The Patent Reform Act included sections 191-194 relating to deferred examination. The Administration no longer feels that this standby authority need be included in any pending legislation, and there is no corresponding provision in the Subcommittee Print.

Recommendations X and XIII of the Commission are interrelated. The first was that the applicant have the burden of persuading the Patent Office that a claim is patentable;<sup>36</sup> the second, that a Patent Office decision refusing a claim shall be given a presumption of correctness not to be reversed unless clearly erroneous.<sup>37</sup> Both of these have been opposed by the bar groups. There was opposition to the burden of persuasion provision on the ground it might be interpreted as placing on an applicant the burden of persuading the Patent Office the claim is allowable, even in the absence of the citation of any pertinent prior art references. The Commissioner of Patents has indicated, however, that the intent in drafting this provision was merely to codify the existing law which requires the applicant to persuade the Patent Office that the claim is allowable only after the patentability of that claim had been put in issue. As a result, the Patent Reform Act incorporated this burden of persuasion statutory statement in section 137, which is still present in the

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<sup>34</sup> Pres. Pat. Comm'n Rep. 19.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 22.

<sup>37</sup> *Id.* at 26.

corresponding section of the Subcommittee Print. On the other hand, with respect to Recommendation XIII, section 148 of the Patent Reform Act stated that Patent Office decisions be given a presumption of correctness, "and such decision shall be upheld unless it is without substantial basis or not in accordance with law." In view of the fact that many felt that this provision might lead to arbitrary decisions on the part of patent examiners, the Commissioner recommended deletion of the phrase "and such decision shall be upheld . . . in accordance with law." Section 148 of the Subcommittee Print merely states that Patent Office decisions shall be given a presumption of correctness.

Recommendations XI and XV of the Commission proposed a mechanism by which the public could participate in the patent examining process. It will be recalled that the Commission's program would require publication of all applications after their allowance.<sup>38</sup> Under Recommendation XI the Patent Office would consider prior art in the form of patents or publications, the pertinency of which was explained in writing, cited against an application within six months after publication following allowance or an appeal.<sup>39</sup> Similarly, Recommendation XV provided that for three years after the issuance of a patent the public could cite prior art which the Patent Office would then consider to determine whether a claim of the patent should not have been allowed.<sup>40</sup> Recommendation XI was included as section 136 of the Patent Reform Act, and Recommendation XV was included as section 257. This entire system of reexamination has been abandoned and replaced by a simplified reexamination program. Under this simplified program, for a period of one year after issuance of a patent the public could cite published prior art and the Patent Office could reexamine the patent on the basis of that art. In addition, a member of the public could seek cancellation of the patent on the ground:

1. the invention was in public use, or on sale, in this country more than one year prior to the filing date of the patent;
2. the inventor named in the patent had derived the invention from the party seeking cancellation; or
3. the party seeking cancellation was the prior inventor.

Further, a junior party applicant would be permitted to provoke an interference proceeding with the issued patent during this

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<sup>38</sup> See text accompanying note 31 *supra*.

<sup>39</sup> Pres. Pat. Comm'n Rep. 23.

<sup>40</sup> *Id.* at 29.

period. This new approach is incorporated in Sections 191-193 of the Subcommittee Print. It is a more flexible and less expensive program than the one recommended by the Commission and should be equally effective.

Recommendation XII provided that the Patent Office should continually evaluate the quality of patents being issued and should "furnish information for the publication of an annual rating of the overall quality of the patents issued each year."<sup>41</sup> Section 15 of the Patent Reform Act—following Recommendation XXVI<sup>42</sup> of the Commission—provided for an Advisory Council, having from twelve to twenty-four members, appointed by the Secretary of Commerce. One of the duties of the Advisory Council was to inform the Secretary of the quality of patents being issued. The concept of an annual rating of the overall quality of the patents issued each year was opposed by many, as such a rating could cast substantial doubts on the validity of patents not examined in the sampling procedure and could create situations in which only vintage year patents were respected. The entire concept of the Advisory Council was further opposed as a needlessly expensive and totally unnecessary group. While the Commissioner of Patents still recommends the creation of such a statutory Advisory Council, the Subcommittee Print deletes all reference to the Advisory Council and its functions.

Recommendation XIV would have permitted either the applicant or the Patent Office to appeal from a decision of the Court of Customs and Patent Appeals to the United States Court of Appeals for the District of Columbia; from a decision of that Court either party could petition the Supreme Court for a Writ of Certiorari.<sup>43</sup> Under existing law, an applicant dissatisfied with a decision of the Patent Office may either appeal on the record to the Court of Customs and Patent Appeals or file a civil action against the Commissioner of Patents in the District Court for the District of Columbia, from which appeal is to the Court of Appeals for the District of Columbia. Review of decisions of both the Court of Customs and Patent Appeals and of the Court of Appeals is by Writ of Certiorari to the Supreme Court. This recommendation was made so that if the reviewing courts in the two paths of appeal open to applicants reached different conclusions on the same point of law, the Court of Appeals for the District of Columbia could resolve the

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<sup>41</sup> *Id.* at 24.

<sup>42</sup> *Id.* at 43.

<sup>43</sup> *Id.* at 26.



matter. However, this additional appellate step would complicate appellate procedure and make appeals inordinately expensive to the applicant. The change was both undesirable and unnecessary inasmuch as different conclusions on the identical point of law by the Court of Customs and Patent Appeals and the Court of Appeals for the District of Columbia have been rare. Furthermore, any such conflict of view could be, and has been, resolved by the Supreme Court.<sup>44</sup> Therefore, while this Recommendation by the Commission was embodied in Section 147 of the Patent Reform Act, this entire Section has been deleted from the Subcommittee Print.

Recommendation XVI stated "[a] claim shall not be broadened in a reissue application."<sup>45</sup> Under existing law, a patentee may apply for a reissue patent to correct errors in the original patent. The scope of the claims in the original patent may be broadened if the reissue patent is "applied for within two years from the grant of the original patent."<sup>46</sup> Section 251 of the Patent Reform Act was based on Recommendation XVI and would have prohibited the grant of any reissue patent "enlarging the scope of the claims of the original patent." This recommendation of the Commission also has now been abandoned by the Administration. Instead, broadened reissues are to be permitted if filed within one year, rather than two years, of the granting of the original patent. The Commissioner has stated in this regard

Not only is the public interest protected by the reduction of the period for filing reissues from two years to one, but we feel that there are equities in favor of granting broadened reissues when there is so much emphasis placed on prompt filing and prosecution of patent applications.<sup>47</sup>

As a result, this provision for broadened reissues filed within one year is now incorporated as section 251(c) of the Subcommittee Print.

Recommendation XVII of the Commission provided for damages—limited to a reasonable royalty—for infringement prior to issue of the patent of a claim which appeared in both a published application and also in the issued patent.<sup>48</sup> Section 273 of the Patent Reform Act incorporated this suggestion by providing for interim

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<sup>44</sup> *Brenner v. Manson*, 383 U.S. 519, 148 U.S.P.Q. 689 (1966).

<sup>45</sup> Pres. Pat. Comm'n Rep. 30.

<sup>46</sup> 35 U.S.C. § 251 (1964).

<sup>47</sup> *Brenner Testimony before Subcommittee No. 3, House Judiciary Comm., Feb. 28, 1968.*

<sup>48</sup> Pres. Pat. Comm'n Rep. 32.

liability for the unauthorized practice of a claim of a published application where the Patent Office indicated the claim was allowable and the alleged infringer had been given actual notice as to how his acts were considered to have infringed the claim. The applicant would elect to obtain such damages by his notice to the alleged infringer and could not thereafter obtain an injunction with regard to the use of a machine, for example, made prior to the issuance of the patent. Interim liability of this type is now substantially provided in the Subcommittee Print sections 273, 283 and 284 except that damages could accrue even though the claim was not allowed at the time of publication; and, furthermore, the applicant need not automatically elect to obtain damages by giving the notice of infringement but could elect to obtain either an injunction or damages after the patent issued.

Recommendation XVIII stated that "The term of a patent shall expire twenty years from its earliest effective U.S. filing date."<sup>49</sup> At the present time a patent extends for 17 years from its issue date. A similar proposal was made as early as 1912 and essentially the same proposal has been made over a dozen times since then.<sup>50</sup> This salutary and widely supported concept was embodied as Section 154(b) of the Patent Reform Act and is carried over into the Subcommittee Print.

Recommendation XIX provided that the term of a patent be extended for a period equal to the delay in its issuance after a notice of allowance where the issue was postponed by reason of the application being placed under a secrecy order.<sup>51</sup> An application is placed under a secrecy order, and its issuance is prevented until the secrecy order is lifted, whenever the application discloses subject matter which, if published, would be detrimental to national security. Section 154(c) of the Patent Reform Act embodied this suggestion, and it has been carried over into the Subcommittee Print. In view of the recommendation that the term of the patent be measured from its filing date, rather than its issue date,<sup>52</sup> the Commission recommended that the term be extended under this special condition.

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<sup>49</sup> *Id.* at 33.

<sup>50</sup> Staff of the Senate Subcomm. on Patents, Trademarks & Copyrights, 86th Cong., 2d Sess., Study No. 23, Expediting Patent Office Procedure—A Legislative History (Comm. Print 1960).

<sup>51</sup> Pres. Pat. Comm'n Rep. 34.

<sup>52</sup> See text accompanying note 49 *supra*.

Recommendation XX was that a terminal disclaimer should have no effect in overcoming a holding of double patenting.<sup>53</sup> This was incorporated in section 253(c) of the Patent Reform Act. Under existing law, a patentee or applicant may disclaim any terminal part of the term of a patent granted or to be granted. A holding of double patenting (i.e., that an applicant is attempting to obtain, or has obtained, two patents on patentably indistinct subject matter) can be overcome in some circumstances by a terminal disclaimer which results in both patents expiring at the same time. The double patenting attack on validity is oftentimes a highly formalistic matter, and the terminal disclaimer is a useful vehicle in many circumstances to remove double patenting questions. To eliminate the terminal disclaimer would merely provide further opportunity for essentially unproductive arguments in both the Patent Office and the Courts. Apparently this Recommendation was made because the Commission felt the Court of Customs and Patent Appeals approved the granting of more than one patent on a single invention. There has been no such holding by the Court. There appears to be no truly sound basis for this recommendation, and the whole subject of terminal disclaimers is so remote from anything approaching a matter of national concern that it is amazing such a trivial matter should have been involved in the Commission's deliberations. There is no provision in the Subcommittee Print which would eliminate the effect of a terminal disclaimer.

Recommendation XXI of the Commission stated "[t]he importation into the United States of a product made abroad by a process patented in the United States shall constitute an act of infringement."<sup>54</sup> Under existing law, the importation of a product (or its use or sale) made outside of the United States by a process patented in the United States is not an infringement of the United States patent. The patentee's only remedy is to attempt to seek exclusion of the product under the Tariff Act of 1930 if he can meet the Act's requirement that the importation would tend to destroy or substantially injure an "efficiently and economically operated" domestic industry.<sup>55</sup> As the Tariff Act has not, because of its highly qualified nature, been a truly usable remedy, the Commission made the aforementioned recommendation. This recommendation was, in general, included in Section 271(b) of the Patent Reform

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<sup>53</sup> Pres. Pat. Comm'n Rep. 35.

<sup>54</sup> *Id.*

<sup>55</sup> 19 U.S.C. §§ 1337, 1337a (1964).

Act. This section qualified the recommendation and would have limited its application to situations where "patent protection for the process is not available" in the country in which the product was made. This limitation was apparently added because the Administration felt that there was no showing of a compelling need for the broader protection recommended by the Commission. The Administration has, however, now recommended that the statutory language be changed so that the proviso would become operative when "the patent protection for that general class of process is not available" in the foreign country, to make it clear that it was not intended to apply to situations where the particular process in question was merely found to be unpatentable. This modified language appears in Section 271(b) of the Subcommittee Print.

The qualifications to Recommendation XXI added to the statutory language will limit substantially the usefulness of the provision. For example, patents are "available" in the U.S.S.R. but few U.S. inventors file patent applications there; the U.S.S.R., therefore, can use processes patented in the U.S. and sell goods in the U.S. made by such processes with complete impunity.

One can see from the foregoing that a great many recommendations of the Commission were incorporated in legislation but subsequently found undesirable by the public and abandoned by the Administration. Commission Recommendation XXII, however, was broadly supported by the public but never incorporated in any legislation proposed by the Administration. This recommendation stated that the licensable nature of the rights granted by patents should be clarified by specifically stating in the patent statute: (1) applications and patents could be licensed in whole, in part, or with regard to a field of use; (2) a patent owner should not be deemed guilty of patent misuse because he agrees to a contractual provision or imposed a condition on a licensee which has (a) a direct relation to the disclosure and claims of the patent and (b) the performance of which was reasonable under the circumstances.<sup>50</sup> The Commission stated that Recommendation XXII was intended to make clear that the "rule of reason" should constitute the guideline for determining patent misuse. The recommendation was never incorporated in the Patent Reform Act because of opposition by the Justice Department which apparently opposes clarification of the law in this area and objects to making the rule of reason the guideline for determining patent misuse. It is indeed unfortunate that any new patent

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<sup>50</sup> Pres. Pat. Comm'n Rep. 36.

statute is unlikely to have a provision of this type. Litigation and uncertainty will continue to be the order of the day.

Recommendation XXIII provided that a final federal judicial determination declaring a patent claim invalid would result in the cancellation of the claim from the patent.<sup>57</sup> Under existing law, a court decision holding a patent claim invalid does not necessarily preclude assertion of the same claim in a later action against another party. Patent infringement, under existing law, is *in personam* and not *in rem*. The Patent Reform Act, in section 294, not only embodied the concept of *in rem* invalidity, but added an estoppel aspect relating to the scope of a claim as determined by a court. However, it is almost impossible to make the scope estoppel operative inasmuch as that which is charged as an infringement in a first case may be substantially different from that charged as an infringement in a second case. Furthermore, equitable considerations are operative which almost inevitably require that the scope aspect be determined on an *in personam* basis. Scope estoppel aspect has, therefore, been dropped and section 294 of the Subcommittee Print embraces only the Commission's recommendation of *in rem* invalidity. This recommendation was made so that a patentee who had his day in court was not to be permitted to "clutter crowded court dockets and subject others to costly litigation." Unfortunately, the recommendation, and the proposed statutory provision, has not been given the careful consideration which it should have had. Under its provisions, when a patent claim is held invalid in one judicial circuit, that claim is cancelled from the patent. The question arises, however, as to what happens if there has been a prior adjudication of the patent claim in another circuit where it was held valid. In other words, suppose that in one circuit the claim is held valid and infringed and an injunction is ordered; subsequently, in another circuit, the same claim is held invalid. What happens to the judgment in the first case? Is the Eighth Circuit, for example, to have the authority to overrule, and reverse the judgments of, the Sixth Circuit? The problem is particularly acute because there is no common standard of validity used by the several judicial circuits in our country. It would seem that a provision for the reimbursement of the defendant's expenses, including attorney's fees, in cases in which a patent was held invalid for the second time would provide a thoroughly adequate and more appropriate remedy than a provision for *in rem* invalidity.

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<sup>57</sup> *Id.* at 38.

Recommendation XXIV proposed the appointment of civil commissioners who would assist district courts in patent cases where the volume of patent litigation justified it. The civil commissioners would conduct pretrial hearings, preside at depositions, supervise discovery proceedings, and perform other similar functions.<sup>58</sup> This was incorporated as section 757 of the Patent Reform Act. Subsequent consideration of this recommendation resulted in withdrawal. No comparable provision is made in the Subcommittee Print.

Recommendation XXVII was that the Patent Office should be supported adequately to insure first-class staffing, housing and equipment.<sup>59</sup> Patent Office financing was to be established on the following basis:

1. the Patent Office should not be required to be entirely self-sustaining,
2. the Commissioner should be authorized to set fees for Patent Office services within broad guidelines established by Congress, the fees to be apportioned in accordance with the cost of providing services, and
3. the Patent Office should be authorized to establish a revolving fund of all its receipts to support its operation.<sup>60</sup>

Section 41 of the Patent Reform Act embodied certain of these concepts, but departed substantially in the area of fees. Section 41 would have charged the entire Patent Office expenses to fees derived from patent applications and patents. This provision, as well as the provision granting the Commissioner authority to set fees, has been totally eliminated from the Subcommittee Print.

The portion of Recommendation XXVII relating to supporting the operation of the Patent Office to insure first-class staffing is easily overlooked, but it is probably the most important aspect of the entire Commission Report. At the professional level, the Patent Office is manned by outstanding individuals having a competence unexcelled in other Government agencies. But working conditions for this group are only reasonably adequate. For example, only recently was an adequate telephone communications system provided for the examining corps. Even today, these professionals frequently must write out their correspondence longhand, sending it to a secretarial pool which often takes weeks to return the draft to the examiner's desk. It is interesting to note that in the period between 1940 and 1964 the number of examiners in the Patent

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<sup>58</sup> *Id.* at 39.

<sup>59</sup> Pres. Pat. Comm'n Rep. 45.

<sup>60</sup> *Id.*

Office increased only 2.3 times while technology became more complex, prior art publications proliferated, and the total research and development expenditures in the United States increased 56 times.<sup>61</sup>

While other recommendations were made by the Commission, they related to subjects such as the application of new technology to Patent Office operations, cooperation with patent offices of other countries, and harmonization of international patent practices. None of these recommendations was the foundation for specific statutory language included in the Patent Reform Act or the Subcommittee Print.

### CONCLUSION

In retrospect, the basic concept of a President's Commission on the patent system was advisable, but the limitations placed upon the Commission made its task virtually impossible. The program it recommended has been decimated and its "interrelated and coherent plan" is almost unrecognizable in the presently proposed legislation. What happened? The members of the Commission, without question, were eminent individuals with distinguished records of accomplishment. Only three, however, had any degree of professional experience in the patent system. Nonetheless, this group of busy men on a part-time basis over a period of sixteen months was asked to ascertain the degree to which our patent system serves our national needs and international goals, identify aspects of the system needing change, devise possible improvements, and recommend legislation to strengthen it. In addition—as if they did not have enough to do—the Commission was to make "an independent study of the existing patent system of the United States including its relationship to international and foreign patent systems, inventive activity and the administration of the system." It is submitted that no similar group of citizens, no matter how eminent, operating under like constraints could possibly even approach mastery of the complicated legal-social-economic complex which is our patent system. The resulting Report must have been based largely on information provided by the staff, composed of Patent Office and Department of Commerce people. While the view of the Patent Office is important, the Patent Office is not the patent system. The Report, in consequence, dealt with such picayune matters as terminal disclaimers, the time for filing continuing applications, joinder of inventors and secrecy order extensions which are admittedly of interest to some patent practi-

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<sup>61</sup> See 1940 and 1964 Commissioner of Pat. Ann. Rep.

tioners but are neither matters of national concern nor subjects vital to the improvement of the patent system. At the same time, essential questions such as the difference in the standards of validity applied by different Circuit Courts, and the lack of common standards of both validity and claim interpretation for the Patent Office and the Courts were totally overlooked.

The Report itself, however, could have been used as a foundation for discussion and debate; instead, it was used as a definitive statement of legislation to be enacted. Within two months after the Report was released, and without public hearings of any type, legislation had been drafted by the Administration and introduced into Congress. This legislation would have totally revised the existing patent system. Testimony was presented to Congress by Administration officials, by businessmen and by inventors, scientists and business and bar groups. Today, less than 18 months after introduction of the legislation, its principal provisions have been abandoned even by the Administration. The amount of time and money wasted in this activity has been monumental. Some of it has gone to good purpose, however, for probably more people have a more thorough understanding of the patent system than ever before. For example, other bills have been introduced into the Congress for modifying the patent system.<sup>62</sup>

One can therefore hope that the entire effort was not totally lost, but rather that some of it will form a milieu out of which a better patent system will grow; one which will stimulate even greater invention and innovation in our country.\*

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<sup>62</sup> See, e.g., S. 2597 and its companion H.R. 13951 (90th Cong. 1st Sess.) respectively introduced by Senator Dirksen and Congressman Poff and generally supported by the Patent, Trademark and Copyright Section of the A.B.A. submitted as a substitute for the Patent Reform Bill; H.R. 7454 introduced by Congressman Giaimo; H.R. 10006 and 10027 introduced respectively by Congressmen Bush and Casey; and H.R. 11447 introduced by Congressman Broyhill.

\*Subsequent to the preparation of this article, Sen. McClellan introduced Patent Revision Bill S. 3892 (90th Cong., 2d Sess.) [Ed.].